

Report on the financial statements of Pharmacor Limited, Kenya, a foreign subsidiary of Alkem Laboratories Limited, India required for the purposes of Section 129(3) of the Companies Act, 2013 and its consolidation with the financial statements of the holding company.

Independent Auditor's Report

To,
The Board of Directors,
Alkem Laboratories Limited, India

Report on the Standalone Ind AS Financial Statements:

We have audited the accompanying standalone Ind AS financial statements of **Pharmacor Limited, Kenya** ('the Company') which comprise the Balance Sheet as at 31st March, 2018, the statement of Profit & Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "standalone Ind AS financial statements") prepared by its management in its reporting currency in Kenyan Shilling. These financial statements are translated by the management of its holding company M/s Alkem Laboratories Ltd., India in Indian currency (INR) and is also presented in the formats and as per requirements of Division II of Schedule III to the Companies Act, 2013 and as per Ind AS, for the purpose of presenting to its shareholders as required by Section 129(3) of the Companies Act, 2013 and for the purpose of its consolidation with the financial statements of the holding company Alkem Laboratories Limited, India.

Management's Responsibility for the Standalone Financial Statements:

The Company's Board of Directors is responsible for preparation of these Ind AS standalone financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India including the Indian Accounting Standards (Ind AS) prescribed under Section 133 of the act read with relevant rules issued thereunder.

This responsibility also includes maintenance of adequate accounting records for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgements and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility:

Our responsibility is to express an opinion on these standalone Ind AS financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder to the extent applicable.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical



requirements and plan and perform the audit to obtain reasonable assurance about whether the standalone Ind AS financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the standalone Ind AS financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the standalone Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the standalone Ind AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone Ind AS financial statements.

Opinion:

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone Ind AS financial statements give the information required in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India including the Ind AS, of the financial position of the Company as at 31st March, 2018, and its financial performance including other comprehensive income, its cash flows and the changes in equity for the year ended on that date.

Report on Other Legal and regulatory Requirements:

1. This audit is for the purpose of presenting the standalone Ind AS financial statements in Indian currency (INR) and in the formats and as per requirements of Division II of Schedule III to the Companies Act, 2013 as per Ind AS, for the purpose of presenting it to the shareholders of the holding company as required by Section 129(3) of the Companies Act, 2013 and for the purpose of its consolidation with the financial statements of the holding company Alkem Laboratories Limited, India and is not a report under Section 143 of the Companies Act, 2013, and accordingly does not include any statement on the matters specified in and required by Section 143 (11), 143(3)(g) and 143(3)(i) of the Companies Act, 2013 and Rule 11 of the Companies (Audit and Auditors') Rules, 2014 including the Companies (Auditors' Report) Order, 2016;
2. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
3. In our opinion proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
4. The Balance Sheet, the Statement of Profit and Loss, the Cash Flows Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account;
5. In our opinion, the aforesaid standalone Ind AS financial statements comply with the Indian Accounting Standards prescribed under section 133 of the Companies Act, 2013.



6. In our opinion, the standalone Ind AS financial statements dealt with by this report are translated from Kenyan Shilling to Indian Rupees by adopting the applicable rates of foreign currency for the year in accordance with Ind AS-21 prescribed by the Companies (Indian Accounting Standard) Rules, 2015.

For **R.S.SANGHAI & ASSOCIATES**

Chartered Accountants

Firm Registration No. 109094W



R.S.SANGHAI

Partner

Membership No.: 036931

Mumbai: 19th May, 2018



PHARMACOR LIMITED
 FINANCIAL STATEMENTS
 BALANCE SHEET AS ON 31ST MARCH, 2018

Particulars	Note No.	As at	As at	As at	As at
		31st March, 2018	31st March, 2018	31st March, 2017	31st March, 2017
		KES	Rs.	KES	Rs.
I. ASSETS					
1 Current assets					
(a) Financial Assets					
(i) Cash and cash equivalents	2.1	67,891	43,312	73,171	45,157
Total Current assets		67,891	43,312	73,171	45,157
TOTAL ASSETS		67,891	43,312	73,171	45,157
II. EQUITY AND LIABILITIES					
1 Equity					
(a) Equity Share Capital	2.2	1,00,000	65,892	1,00,000	65,892
Other Equity (Refer statement of changes in equity)		(32,110)	(22,580)	(26,830)	(20,735)
Total Equity		67,891	43,312	73,171	45,157
TOTAL EQUITY AND LIABILITIES		67,891	43,312	73,171	45,157

Significant Accounting Policies 1B
 Notes to the financial statement 2
 The accompanying notes are an integral parts of financial statements.

As per our attached report of even date
 For R.S.SANGHAI & ASSOCIATES
 Chartered Accountants
 Firm's registration number: 109094W

R.S.SANGHAI
 Partner
 Membership Number: 036931
 Place : Mumbai
 Dated : 19th May, 2018



For and on behalf of the Board

P. V. Damodaran
 P. V. Damodaran
 Director

Ashish Sinha
 Ashish Sinha
 Director

Kenya

PHARMACOR LIMITED
 FINANCIAL STATEMENTS
 STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2018

Particulars	Note No.	For the Year ended	For the Year ended	For the Year ended	For the Year ended
		31st March, 2018	31st March, 2018	31st March, 2017	31st March, 2017
		KES	Rs.	KES	Rs.
1 Income					
(a) Revenue from Operations		-	-	-	-
(b) Other Income		-	-	-	-
Total Income		-	-	-	-
2 Expenses					
(a) Finance Costs	2.3	5,280	3,252	5,280	3,415
Total Expenses		5,280	3,252	5,280	3,415
3 Profit before tax (1) - (2)		(5,280)	(3,252)	(5,280)	(3,415)
4 Tax expenses					
(a) Current tax		-	-	-	-
(b) Deferred tax		-	-	-	-
5 Profit for the period (3) - (4)		(5,280)	(3,252)	(5,280)	(3,415)
6 Other Comprehensive Income					
(a) Items that will be reclassified to profit or loss					
(i) Foreign Currency Translation Difference		-	1,407	-	(1,733)
Total of Other Comprehensive Income for the period, net of tax		-	1,407	-	(1,733)
7 Total Comprehensive Income for the period (5) + (6)		(5,280)	(1,845)	(5,280)	(5,148)
8 Basic and diluted earnings per share	2.4	(5.28)	(3.25)	(5.28)	(3.41)


Significant Accounting Policies 1B
 Notes to the financial statement 2
 The accompanying notes are an integral parts of financial statements.

As per our attached report of even date
 For R.S.SANGHAI & ASSOCIATES
 Chartered Accountants
 Firm's registration number: 109094W


R.S.SANGHAI
 Partner
 Membership Number: 036931
 Place : Mumbai
 Dated : 19th May, 2018



For and on behalf of the Board


P. V. Damodaran
 Director


Ashish Sinha
 Director

PHARMACOR LIMITED
FINANCIAL STATEMENTS
CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2018

Particulars	Year ending 31st March, 2018		Year ending 31st March, 2017	
	KES	Rs.	KES	Rs.
A. Cash Flow from Operating activities				
Profit before Tax	(5,280)	(3,252)	(5,280)	(3,415)
Operating Profit before Working Capital Changes	(5,280)	(3,252)	(5,280)	(3,415)
Adjustments for :				
Interest Expense	5,280	3,252	5,280	3,415
Cash (used in) / Generated from Operations	-	-	-	-
Net cash (used In) /generated from operating activities	-	-	-	-
B. Cash Flow from Investing activities				
C. Cash Flow from Financing activities				
Interest Expense	(5,280)	(3,252)	(5,280)	(3,415)
Net cash (used In) /generated from Financing activities	(5,280)	(3,252)	(5,280)	(3,415)
Net Increase/(decrease) in cash and cash equivalents (A + B + C)	(5,280)	(3,252)	(5,280)	(3,415)
Cash and cash equivalents at the beginning of the year	73,171	45,157	78,450	50,305
Cash and cash equivalents at the end of the year	67,891	41,905	73,170	46,890


Notes :

1) Cash and Cash Equivalents include :

Particulars	As at 31st March, 2018		As at 31st March, 2017	
	KES	Rs.	KES	Rs.
Cash and Bank balances (Refer Note 2.1)	67,891	43,312	73,171	45,157
Exchange difference (Unrealised (Gain) / Loss)		(1,407)	-	1,733
Total	67,891	41,905	73,171	46,890


2) The above Cash Flow Statement has been prepared under the "Indirect Method" as set out in the Indian Accounting Standard (Ind AS-7) on Cash Flow Statement.

As per our attached report of even date
For **R.S.SANGHAI & ASSOCIATES**
Chartered Accountants
Firm's registration number: 109094W


R.S. SANGHAI
Partner
Membership Number: 036931
Place : Mumbai
Dated : 19th May, 2018



For and on behalf of the Board


P. V. Damodaran
Director


Ashish Sinha
Director

PHARMACOR LIMITED
FINANCIAL STATEMENTS
STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31ST MARCH, 2018

KES

(a) Equity share capital

Balance at the beginning of the reporting period
Changes in equity share capital during the year
Balance at the end of the reporting period

As at 31st March, 2018		As at 31st March, 2017	
No. of Shares	Amount	No. of Shares	Amount
1,000	1,00,000	1,000	1,00,000
-	-	-	-
1,000	1,00,000	1,000	1,00,000

(a) Equity share capital

Balance at the beginning of the reporting period
Changes in equity share capital during the year
Balance at the end of the reporting period

As at 31st March, 2018		As at 31st March, 2017	
No. of Shares	Amount	No. of Shares	Amount
1,000	65,892	1,000	65,892
-	-	-	-
1,000	65,892	1,000	65,892

Other Equity

KES

Particulars	Reserves and Surplus		Items of OCI	Total other equity
	Retained Earnings		Foreign Currency Translation Difference	
Balance at 1st April, 2016	(21,550)	-	-	(21,550)
Total Comprehensive				
Profit for the year ended 31st March, 2017	(5,280)	-	-	(5,280)
Other Comprehensive Income	-	-	-	-
Balance at 31st March, 2017	(26,830)	-	-	(26,830)
Total Comprehensive				
Profit for the year ended 31st March, 2018	(5,280)	-	-	(5,280)
Other Comprehensive Income	-	-	-	-
Balance at the end of the reporting period	(32,110)	-	-	(32,110)

Other Equity

Rs.

Particulars	Reserves and Surplus		Items of OCI	Total other equity
	Retained Earnings		Foreign Currency Translation Difference	
Balance at 1st April, 2016	(13,651)	(1,936)	-	(15,587)
Total Comprehensive				
Profit for the year ended 31st March, 2017	(3,415)	-	-	(3,415)
Other Comprehensive Income	-	(1,733)	(1,733)	(1,733)
Balance at 31st March, 2017	(17,066)	(3,669)	(3,669)	(20,735)
Total Comprehensive				
Profit for the year ended 31st March, 2018	(3,252)	-	-	(3,252)
Other Comprehensive Income	-	1,407	1,407	1,407
Balance at the end of the reporting period	(20,318)	(2,262)	(2,262)	(22,580)

As per our attached report of even date

For **R.S.SANGHAI & ASSOCIATES**

Chartered Accountants

Firm's registration number: 109094W

R.S.SANGHAI

Partner

Membership Number: 036931

Place : Mumbai

Dated : 19th May, 2018



For and on behalf of the Board

P. V. Damodaran
Director

Ashish Sinha
Director

PHARMACOR LIMITED

1A GENERAL INFORMATION

These financial statements are prepared solely for the purposes of consolidation by the holding company, Alkem Laboratories Ltd. The Company was incorporated on 15th May, 2012 in Kenya under the Corporations Act. Its core business is to sale and distribution of pharmaceutical products throughout Kenya and to provide marketing services. The Company is a wholly-owned subsidiary of Alkem Laboratories Ltd.

1B SIGNIFICANT ACCOUNTING POLICIES:

1.1 Basis of preparation of Financial Statements:

The financial statements of the Company as at and for the year ended 31st March, 2017 have been prepared in accordance with Indian Accounting standards ('Ind AS') notified by the Ministry of Corporate Affairs in consultation with the National Advisory Committee on Accounting Standards, under section 133 of the Companies Act, 2013 ('Act') read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 and the relevant provisions of the Act.

The preparation of financial statements in accordance with Ind AS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The Company presents assets and liabilities in Balance Sheet based on current/non-current classification.

An asset is classified as current when it is:

- a) Expected to be realised or intended to be sold or consumed in normal operating cycle,
- b) Held primarily for the purpose of trading,
- c) Expected to be realised within twelve months after the reporting period, or
- d) Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

- a) it is expected to be settled in normal operating cycle,
- b) it is held primarily for the purpose of trading,
- c) it is due to be settled within twelve months after the reporting period
- d) there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Company classifies all other liabilities as non-current

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

1.2 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

1.3 Earnings per share ('EPS')

Basic EPS is computed using the weighted average number of equity shares outstanding during the period. Diluted EPS is computed using the weighted average number of equity and dilutive equity equivalent shares outstanding during the period except where the results would be anti-dilutive.

1.4 Foreign currencies Transactions & Translation

i. Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currency of the Company at the exchange rates at the dates of the transactions. The functional currency of the Company is Kenyan Shilling (KES).

ii. Foreign Operations:

The assets and liabilities of foreign operations, and fair value adjustments arising on acquisition, are translated into Indian Rupees at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into INR at the exchange rates at the dates of the transactions.

Foreign currency differences are recognised in OCI and accumulated in the translation reserve.

When a foreign operation is disposed of in its entirety or partially, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.



PHARMACOR LIMITED

NOTE 2: NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2018

Particulars	As at 31st March, 2018 KES	As at 31st March, 2018 Rs.	As at 31st March, 2017 KES	As at 31st March, 2017 Rs.
2.1 : CASH AND CASH EQUIVALENT:				
Balance with Banks: In Current Accounts	67,891	43,312	73,171	45,157
TOTAL	67,891	43,312	73,171	45,157
2.2 : EQUITY SHARE CAPITAL:				
Authorised: 1,000 Units of KES 100/- each (Previous Year 1,000 Units of KES 100/- each)	1,00,000	65,892	1,00,000	65,892
	1,00,000	65,892	1,00,000	65,892
Issued, subscribed & paid-up : 1,000 Units of KES 100/- each (Previous Year 1,000 Units of KES 100/- each)	1,00,000	65,892	1,00,000	65,892
TOTAL	1,00,000	65,892	1,00,000	65,892
OTHER EQUITY				
Retained Earnings:				
At the commencement of the period/year	(26,830)	(17,066)	(21,550)	(13,651)
Add: Profit for the period/year	(5,280)	(3,252)	(5,280)	(3,415)
	(32,110)	(20,318)	(26,830)	(17,066)
Other Comprehensive Income:				
At the commencement of the period/year	(1,733)	(3,669)	-	(1,936)
Add: Profit for the period/year	-	1,407	-	(1,733)
At the end of the period/year	(1,733)	(2,262)	-	(3,669)
TOTAL	(33,842)	(22,580)	(26,830)	(20,735)

Particulars	For the Year ended 31st March, 2018	For the Year ended 31st March, 2018	For the Year ended 31st March, 2017	For the Year ended 31st March, 2017
	KES	Rs.	KES	Rs.
2.3 : FINANCE COST:				
Other borrowing cost	5,280	3,252	5,280	3,415
TOTAL	5,280	3,252	5,280	3,415



PHARMACOR LIMITED

NOTE 2: NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2018

2.4 Earnings per share (EPS)

KES

Particulars			Year ended 31st March, 2018	Year ended 31st March, 2017
Profit /(loss) after tax attributable to equity shareholders	KES	A	(5,280)	(5,280)
Weighted average number of equity shares outstanding during the year	Nos.	B	1,000	1,000
Basic and diluted earnings per equity share (Rs) - Face value of Rs.100 per share	KES	(A / B)	(5.28)	(5.28)

Rs.

Particulars			Year ended 31st March, 2018	Year ended 31st March, 2017
Profit /(loss) after tax attributable to equity shareholders	Rs.	A	(3,252)	(3,415)
Weighted average number of equity shares outstanding during the year	Nos.	B	1000	1000
Basic and diluted earnings per equity share (Rs) - Face value of Rs.100 per share	Rs.	(A / B)	(3.25)	(3.41)

2.5 Average exchange rate as on 31st March, 2018 considered for the purpose of translation as referred in note no 1.4 is **Rs. 0.6128/1KES** (Rs. 0.6468/1KES).

Closing exchange rate as on 31st March, 2018 considered for the purpose of translation is as referred in note no. 1.4 is **Rs. 0.6118/1KES** (Rs. 0.6172/1KES).



PHARMACOR LIMITED

NOTE 2: NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2018

2.6 Information on related party transactions as required by Indian Accounting Standard 24 (Ind AS 24) on related party disclosures for the year ended 31st March, 2018.

List of related parties and their relationship

A Company whose control exists

Alkem Laboratories Limited

B Fellow Subsidiaries

Alkem Laboratories (NIG) Limited
Alkem Laboratories (PTY) Limited
Alkem Pharma GmbH
Alkem Laboratories Corporation
S & B Holdings B.V.
Pharmacor Pty Limited
ThePharmaNetwork, LLC (Wholly owned Subsidiary of S&B Holdings B.V)
Ascend Laboratories SDN BHD.
Ascend Laboratories SpA
Enzene Biosciences Ltd.
Alkem Laboratories Korea Inc
S & B Pharma Inc.
The PharmaNetwork, LLP
Ascend Laboratories, LLC (Wholly owned by ThePharmanetwork, LLC)
Ascend Laboratories (UK) Ltd.
Cachet Pharmaceuticals Pvt. Ltd (w.e.f 27 March 2015)
Indchemie Health Specialities Pvt. Ltd.(w.e.f 30 March 2015)
Alkem Foundation limited
Ascend Laboratories limited

Nigeria
South Africa
Germany
Philippines
Netherlands
Australia
United States of America
Malaysia
Chile
India
Korea
United States of America
Kazakhstan
United States of America
United Kingdom
India
India
India
Canada

C Key Managerial Personnel ("KMP")

Mr.P. V. Damodaran
Mr.Ashish Sinha

Director
Director



PHARMACOR LIMITED

NOTE 2: NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2018

2.7 Financial instrument fair values and risk management

A. Accounting classification and fair values

	As at 31st March 2018							
	Carrying amount				Carrying amount			
	FVTPL	FVTOCI	Amortised Cost	Total	FVTPL	FVTOCI	Amortised Cost	Total
Financial assets								
Cash and cash equivalents			67,891	67,891	-	-	43,312	43,312
	-	-	67,891	67,891	-	-	43,312	43,312
Financial liabilities								
	-	-	-	-	-	-	-	-

	As at 31st March 2017							
	Carrying amount				Carrying amount			
	FVTPL	FVTOCI	Amortised Cost	Total	FVTPL	FVTOCI	Amortised Cost	Total
Financial assets								
Cash and cash equivalents	-	-	73,171	73,171	-	-	45,157	45,157
	-	-	73,171	73,171	-	-	45,157	45,157
Financial liabilities								
	-	-	-	-	-	-	-	-

The Company has exposure no the following risks arising from financial instruments:

- Credit risk ;
- Liquidity risk ; and
- Market risk

As per our attached report of even date

For **R.S.SANGHAI & ASSOCIATES**

Chartered Accountants

Firm's registration number: 109094W

R.S.SANGHAI

Partner

Membership Number: 036931

Place : Mumbai

Dated : 19th May, 2018



For and on behalf of the Board

P. V. Damodaran

P. V. Damodaran

Director

Ashish Sinha

Ashish Sinha

Director